

IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

CRIMINAL MISC.APPLICATION No 2526 of 1999

For Approval and Signature:

Hon'ble MR.JUSTICE A.L.DAVE

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1. Whether Reporters of Local Papers may be allowed : YES  
to see the judgements?
2. To be referred to the Reporter or not? : YES
3. Whether Their Lordships wish to see the fair copy : NO  
of the judgement?
4. Whether this case involves a substantial question : NO  
of law as to the interpretation of the Constitution  
of India, 1950 of any Order made thereunder?
5. Whether it is to be circulated to the Civil Judge? : NO

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JAYES R MOR

Versus

STATE OF GUJARAT

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Appearance:

MR NAVIN K PAHWA for Petitioner  
MR SP DAVE, APP for Respondent No. 1  
MS DAWAWALA for Respondent No. 2

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CORAM : MR.JUSTICE A.L.DAVE

Date of decision: 12/07/1999

CAV JUDGEMENT

1. Heard Mr. Pahva for the petitioner, Mr. S.P. Dave, learned Additional Public Prosecutor for respondent No.1-State and Ms. Davawala for respondent No.2.
2. Rule. Mr. S.P. Dave waives service of Rule on behalf of respondent No.1 and Ms. Davawala waives

service on behalf of respondent No.2.

3. The petitioner happened to be a Director of one Aashi Leasing and Finance Limited. The said company failed to file three copies of the balance sheet and profit and loss account of the company by 30th October, 1997, as required under Section 220 of the Companies Act and, therefore, the Registrar of Companies for Gujarat, Dadra and Nagarhaveli lodged complaint against the company and three directors of which present petitioner was shown as accused No.3, under Section 220(3) of the Companies Act.

4. The petitioner has challenged the said complaint on the ground that it is not maintainable against him. According to the petitioner, at one stage, he was director of the company, but he resigned from the directorship by his letter dated 23rd September, 1996 with effect from 23rd September, 1996. The said resignation came to be accepted by the Board of Directors and, accordingly, the company had submitted form No.32 indicating that the petitioner ceased to be director with effect from 17.10.1996 as the same was accepted by the Board of Directors and, therefore, on the date of the alleged commission of the offence, the petitioner was not director and he cannot be held responsible therefor. The petitioner has in support of his version, produced a copy of the resignation at Annexure-B and that of form No.32 at Annexure-C.

5. Mr. Pahva, learned advocate appearing for the petitioner, submitted that the offence is under Section 220(3) of the Companies Act and, if that Section is considered, it holds responsible the company and every officer of the company, who is in default, liable to be punished. Mr. Pahva submitted that the petitioner was neither director nor officer of the company on 30th October, 1997 and, therefore, he cannot be held responsible for non-filing of the statement of accounts, balance sheet, etc. He has further drawn attention of this Court to Section 5 of the Companies Act which defines "officer who is in default". Mr. Pahva submitted that the petitioner does not fall under any of the categories stated in the said definition. Under the circumstances, criminal liability cannot be fastened on the petitioner and the complaint lodged against him may be quashed.

6. Ms. Davawala appearing for the Registrar of Companies-respondent No.2 submitted that the company's head quarters is at Ahmedabad. Out of the three accused

persons, accused No.2 and 4 stay at Mumbai and it is only the petitioner who is staying at Ahmedabad. He is a Chartered Accountant and, therefore, an inference can be drawn that he must be looking after the affairs of the company at Ahmedabad level, more so in relation to accounts matters and, therefore, he cannot escape from this liability.

7. Mr. S.P. Dave, learned Additional Public Prosecutor submitted that there is no substance in the petition and may be dismissed.

8. In reply to the argument advanced by Ms. Davawala Dave that form No.32 was sent on 21st July, 1997, Mr. Pahva has drawn attention to Section 303 of the Companies Act. If Section 303 is perused, it casts duty on the company to intimate the change within 30 days of the effect of the change. Sub-section (3) of the said section provides that in the event of default in complying with the above provision, the company and every officer of the company who is in default shall be punishable with a fine which may extend to fifty rupees for every day during which the default continues. Mr. Pahva, therefore, submitted that the resignation was accepted on 17.10.1996 and, therefore, it was the duty of the company to send form No.32 within one month thereof and, if there is any default on the part of the company, the petitioner cannot be held responsible even according to provisions of sub-section(3) of Section 303 of the Companies Act.

9. Having regard to the contentions raised, the following dates become important :-

- 1) 23rd September 1996 - Petitioner tendered resignation as a professional director from the company with effect from 23rd September, 1996.
- 2) 17th October, 1996 - Resignation was accepted and the change was effected.
- 3) 30th October, 1997 - The last date for filing of copies of balance sheet, profit and loss account, etc.
- 4) 21st July, 1997 - The company sent form No.32 to intimate the change following resignation of the petitioner.

It is apparent from the above data that the petitioner ceased to be professional director of the company on

17.10.1996. Admittedly, according to the complaint, the accounts were to be submitted latest by 30th October, 1997. On that day, the petitioner was not connected with the company in any manner. To put it differently, the petitioner's relationship with the company has snapped on 17.10.1996 and on the date of the alleged commission of the offence, he had no relation whatsoever with the company.

10. Section 220 of the Companies Act runs as under :-

"220. (1) After the balance sheet and profit and loss account have been laid before a company at an annual general meeting as aforesaid, there shall be filed with the Registrar within thirty days from the date on which the balance sheet and the profit and loss account were so laid, or where the annual general meeting of a company for any year has not been held, there shall be filed with the Registrar within thirty days from the latest day on or before which that meeting should have been held in accordance with the provisions of this Act,-

(a) three copies of balance sheet and the profit and loss account, signed by the managing director, managing agent, secretaries and treasurers, manager or secretary of the company, or if there be none of these, by a director of the company, together with three copies of all documents which are required by this Act to be annexed or attached to such balance sheet or profit and loss account:

Provided that in the case of a private company, copies of the balance sheet and copies of the profit and loss account shall be filed with the Registrar separately:

Provided further that,-

- (i) in the case of a private company which is not a subsidiary of a public company, or
- (ii) in the case of a private company of which the entire paid-up share capital is held by one or more bodies corporate incorporated outside India, or
- (iii) in the case of a company which becomes

public company by virtue of section 43A, if the Central Government directs that it is not in the public interest that any persons other than a member of the company shall be entitled to inspect, or obtain copies of, the profit and loss account of the company,

no person other than a member of the company concerned shall be entitled to inspect, or obtain copies of, the profit and loss account of that company under section 610.

(2) If the annual general meeting of a company before which a balance sheet is laid as aforesaid does not adopt the balance sheet, or is adjourned without adopting the balance sheet, or, if the annual general meeting of a company for any year has not been held, a statement of that fact and of the reasons therefor shall be annexed to the balance sheet and to the copies thereof required to be filed with the Registrar.

(3) If default is made in complying with the requirements of sub-section (1) and (2), the company, and every officer of the company who is in default, shall be liable to the like punishment as is provided by section 162 for a default in complying with the provisions of section 159, 160 or 161."

A bare perusal of the above section, particularly sub-section (3) indicates that, in default in complying with provisions of sub-section (1) or (2), the company and every officers of the company who is in default would be liable. As such, liability would arise in the instant case only on 30th October, 1997, the day on which the petitioner had no relationship with the company. He would not fall within the definition of officer who is in default as defined under section 5 of the Companies Act and, therefore, the complaint against the petitioner is not maintainable at all.

11. Annexure-C, if perused, indicates that the change was effected on 17.10.1996 and intimated on 21.7.1997, which is in any case is prior to the date of default and cause of action therefor. The complaint, therefore, could not have been filed against the petitioner.

12. The outcome of the above discussion is that, on

the date on which the offence is said to have been committed, i.e. on 30th October, 1997, of not submitting copies of the balance sheet, profit and loss account, etc. by then, the petitioner's relationship with the company was not in existence. The petitioner cannot be held responsible even otherwise as he does not fall within the definition of officer in default as given in Section 5 of the Companies Act and sub-section (3) of Section 220 of the Companies Act holds the company and every officer in default responsible for such lapse and, therefore, the petition deserves to be allowed. No offence against the petitioner can be said to be constituted and as a necessary consequence, the petition must succeed and complaint qua the petitioner must be quashed.

13. The petition is, therefore, allowed. The complaint being Criminal Case No.322 of 1998, lodged before the learned Additional Chief Metropolitan Magistrate, Ahmedabad, is hereby quashed so far as it relates to the petitioner only. It is clarified that the entire complaint is not quashed. This Court expresses no opinion on merits of the complaint and that it may be taken to its logical conclusion in accordance with law. Rule is made absolute accordingly.

[ A.L. DAVE, J. ]

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